

6 MARCH 1985

Senator Stevens' Retirement Plan

Participation-

- All permanent federal employees covered by Social Security on or after January 1, 1984 with the exception of employees who were participants in CSRS on December 31, 1983.
- All those who are currently subject to CSRS and who elect to join.

I. BASIC PLAN-

- $0.85\% \times \text{high 5 years of salary} \times \text{years of service}$.
- 2% per year reduction of annuity under age 62.
- Can retire with immediate annuity at age 62 with 10 years of service; age 55 with 30 years of service.
- Involuntary retirement age 50 with 20 years of service, any age and 25 years of service.
- Disability and survivor benefits integrated with Social Security.
- Deferred annuity at age 62 for employees with 10 years service who leave prior to retirement eligibility.
- Retains special retirement classes (Law enforcement, firefighters and air traffic controllers)
 - Age 55 with 25 years of service
 - Age 62 with 10 years of service
 - No reduction under 62
 - Retirement Supplement under 62 equal to Social Security benefit available at 62.

Funding

Agency contributes to CSR fund the percentage of pay necessary to meet the projected cost of benefits. Any supplemental liabilities to be amortized from Treasury over 30 year period. Agency also pays cost of annuity for disability retirees under age 62.

Fund for basic plan will be the same as that for CSRS. OPM pays benefits, must provide life annuity and joint and survivor annuity along with any other annuity form OPM desires as long as actuarially equivalent.

Basic pension is adjusted annually in January for the change in CPI from September-September minus two.

Disability

18 months for vesting

If eligible for Social Security, 60% of high 5 minus 100% of Social Security benefit from onset of disability to age 62.

If ineligible for Social Security:

1) Definition tightened resulting in placement of disabled employee in any job in commuting area for which qualified within 2 grades of current position.

2) 1st year - 60% of high 5

3) After 1st year - 20% of high 5 or accrued benefit based on projected service through age 62, whichever is lower.

In both cases, accrued benefit after age 62 based on actual service plus projected service through age 62. Must have 10 years of actual and projected service.

Survivor Annuity

A. Preretirement survivor benefits:

1. Benefits payable immediately if the deceased had at least 18 months service
2. Survivor gets the higher of:
 - (a) 50 percent of the accrued annuity (computed as if the worker had retired the day before death, with any applicable early retirement reductions, but without the reduction for survivor benefits) plus any social security payable,
 - (b) 25 percent of the worker's high-five average salary minus any social security family benefits (not applicable if only benefit payable is child's insurance benefit).

B. Postretirement survivor benefits: Annuity to married retiree automatically reduced actuarially as in a 50 percent joint-and-survivor plan to provide a spouse survivor annuity - waived with consent of spouse.

1. Survivors eligible for Social Security benefits get 50 percent of the unreduced annuity (except for early retirement reduction) plus any social security payable.
2. Survivors not eligible for Social Security get the full annuity that was payable to the retiree (after reductions for early retirement and survivor benefits) until age 60, when they

will get 50 percent of the accrued annuity after early retirement reductions plus any social security payable.

- C. Survivors benefits to widows and widowers cease if they remarry before age 55 (this reflects the provision in the new Civil Service Retirement Spouse Equity Act of 1984).
- D. Child survivor benefits: none from plan, social security only.
- E. Former spouse benefits: Any prior elections or court orders concerning an annuity for a former spouse must be honored before payment to a surviving spouse or another former spouse can be made.

II. THRIFT/SAVINGS PLAN

- Participant may contribute to the fund any amount not exceeding 10 percent of basic pay.
- Contributions will be tax deferred.
- Agency shall contribute \$2 for every \$1 contributed by employee up to 4% of employee basic pay.
- Maximum agency contribution will be 8% of pay.
- Employee elects category of investment(s) for his account, receives annual statement of earnings, annual opportunity to change amount contributed, category of investment(s).
- At retirement may withdraw, rollover in IRA, draw an annuity or defer.
- Upon separation prior to retirement eligibility may rollover in IRA or qualified employer pension or leave till age 62 and withdraw or receive an annuity.

Investments

1st year - all monies invested in federal securities.

2nd year and beyond - each year a 25% increment of employee money to be invested by Board of Trustees in any federal, state, local or private interest bearing securities, equities, real estate, etc. Agency money to be invested in 12.5% increments beginning in year 6. After year 4 all employee money to be invested by board; after year 12, all agency money.

Thrift Investment Board

Off budget agency.

6 trustees.

Appointed by President, confirmed by Senate.

Executive Director appointed by Board, must have substantial experience, training or expertise in the management of financial investments.

All trustees have 7 year appointments except first few to be graduated.

III. Transition provisions

For current employees to join new system - two options (also applicable to rehires covered by the plan who have an unrefunded lump-sum credit from prior service under the CSRS).

- 1) employee contributions to current system will be matched by government money plus 7% interest (credited annually and compounded) from CSRS and transferred to thrift/savings account of employee. Additionally, credit under current program will be transferred to credit under new basic plan.

2) credit in current program will freeze and employee may accrue new credit in new program. Service in new program will count towards eligibility to retire in old. Salary in new will count towards high 3 in old. However, service in new program will not accrue for old. Service in old program will count towards eligibility to retire in new but will not accrue in new.

Employees hired during interim period will be given credit for service in basic plan plus 1.3% contribution will be matched 2 for 1 with a 10% interest applied and put in employees' thrift/savings accounts.

Employee covered by CSRS prior to January 1, 1984 and covered by Social Security pursuant to Social Security Amendments of 1983 will contribute difference between OASDI contribution and normal CSRS contribution to CSRS fund. Entitled to full CSRS benefit until begins receiving Social Security payment. CSRS benefit recomputed and reduced by the amount of the Social Security benefit attributable to service performed while employee of federal government. Applies to normal benefit, disability and survivor benefits.